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September 22, 2005

San Francisco, Regional Office
Director Johns F. Carter
25 Jessie Street at Ecker Square
Suite 2300
San Francisco, California 94105

Dear Director Carter,

On behalf of my bank, my directors, and myself I strongly urge you to reject the application by Wal-Mart Stores, Inc. to charter an Industrial Loan Company bank in Utah. The barrier between Banking and Commerce has played an integral part in the safety and soundness of the banking system and in maintaining a healthy U.S. economy. Congress representing the American people has reinforced this barrier.

In this fast moving age we are living in, with the ups and downs of our economy, it is important that Community Bankers stay closely attuned to current and emerging risk issues. Statistics show the typical community bank needs to spend 3 to 5 cents more than its large-bank counter part to generate one dollar of operating revenue. That difference is material.

Allowing a commercial or financial firm to operate a full-service nationwide FDIC insured bank, outside the framework established by Congress for the other owners of insured banks raises significant safety and soundness concerns, creates an unlevel competitive playing field and poses important questions to Congress concerning the nations policy of maintaining the separation of Banking and Commerce.

Because of an Industrial banks more open ownership policy, Wal-Mart Stores, Inc., the so-called category killer because it tends to crush competition, has tried to get into the banking business by buying an ILC. The future of the community banking industry could be at stake. The systemic risk posed by a Wal-Mart Bank would be enormous. With a branch of Wal-Mart Bank in every store, small bankers plead with Congress to spare them the fate of mom and pop hardware and variety stores, which were strangled by Wal-Mart.

In 1999 Congress ended Wal-Mart's attempt to buy a unitary thrift in Oklahoma by prohibiting commercial companies from owning such a firm. In 2002 the California legislators blocked Wal-Mart's acquisition of a state bank by enacting a law preventing non-financial firms from buying ILC's. Recently that states legislature has turned Wal-Mart down again.

Please don't go down the slippery slope allowing Wal-Mart a charter that can then be revised allowing them entry into banking directly competing with community banks in every town where they have stores across the country. We have seen what they have done to Main Street America, closing down numerous mom and pop stores, and small businesses by purchasing in such large quantities to get substantially cheaper prices which then allows them to sell for a profit at approximately the cost the small operator pays for the product putting the small operators out of business. They will be able to use similar tactics if they get into banking. Pricing loans lower and deposits higher while still making a profit because of volume.

Are you going to allow Wal-Mart the opportunity to price community banks out of the markets, eliminating the engine for economic growth in the community, causing the eventual demise of community banks, communities, the dual banking system, putting in peril the F.D.I.C. insurance fund, creating another monstrous "Too Big to Fail" bank with no real control over the parent company? I do not believe you would want to do so. There are a many sound business reasons for not allowing one giant entity to control a major part of the payment system.

As the industry becomes more concentrated, do these institutions have the kind of risk management necessary to assess and control the inherent risks associated with banking? Do they have a business contingency plan? If it should roll off significantly, can it bring itself back on track and can we in a timely way influence that bank? With size and complexity goes a challenge both for the managers of the company and the regulators.

Giant banks have enormous public policy implications. The trillion-dollar bank that eventually could result from this charter will be Too Big to Fail and will pose a systemic risk to the F.D.I.C. Insurance Fund. Evidence shows that increased concentration in the banking industry has not benefited bank customers and has not had a positive effect on the convenience and needs of the communities served by the acquired banks. Unbridled economic concentration would represent a dangerous and unprecedented concentration of economic power.

In our town when Wal-Mart came in we lost our Elmore's Dime Store, Ben Franklin 5 and 10 Store, a local hardware store, two retail stores that sold electronic items, several retail clothing outlets and others. Many of our other retail outlets are barely able to stay in business as a result of such a competitor coming to town. Our once bustling main street now consists of mainly vacant buildings. With a population between 4000 and 4500 our town already has four banks, a credit union, and two small loan companies. Do we need another competitor, especially one that could operate at cost because of their other ways to cover overhead expense until they had driven their competitors out of business? There are many good reasons for not breaking the barrier between banking and commerce. Some examples that are easy to see and research are the countries of Japan, Germany, Spain, and Argentina, each of these countries have broken the barrier and suffered the results.

Thank you for the opportunity to comment. Hopefully you will prayerfully consider this application and follow the path of maintaining a strong barrier between banking and commerce, keeping a strong community banking complex to serve Main Street America's financial needs.

Sincerely,

Rickey McCreless
Chief Executive Officer
Traders & Farmers Bank